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ABSTRACT

The General Accounting Office (GAO) examined worksite-based activities currently in place to help recipients of Temporary Assistance for Needy Families (TANF) develop the skills required for successful transition to unsubsidized employment. Data were collected from the following sources: (1) data reported by states to the Department of Health and Human Services (DHHS); (2) interviews of selected state TANF administrators and experts on TANF work programs; and (3) review of nine state- and local-level worksite activities nationwide. All the worksite activities visited assigned TANF recipients to public or private sector employers in areas such as building maintenance, clerical work, unskilled health care, and food service. Although data on worksite-specific outcomes were not available from all sites and although the available data could not be compared across sites, program administrators, participants, and others suggested that worksite activities can help participants with no prior work experience develop a resume and simultaneously provide community services. However, some critics argued that some worksite activities do not provide the skills or experience needed for successful transition to unsubsidized employment. (Appended are comments from the DHHS and a list of GAO contacts and staff acknowledgments. The bibliography contains 41 references and 13 related GAO products.) (MN)

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United States General Accounting Office

GAO

Report to Congressional Requesters

July 2000

# WELFARE REFORM

# Work-Site-Based Activities Can Play an Important Role in TANF Programs

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## Abbreviations

| | |
|---|---|
| AFDC | Aid to Families With Dependent Children |
| CWEP | Community Work Experience Program |
| EIC | Earned Income Credit |
| FICA | Federal Insurance Contributions Act |
| HHS | Department of Health and Human Services |
| MDRC | Manpower Demonstration Research Corporation |
| PRWORA | Personal Responsibility and Work Opportunity Reconciliation Act of 1996 |
| TANF | Temporary Assistance for Needy Families |
| WEP | Work Experience Program |

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United States General Accounting Office
Washington, D.C. 20548

Health, Education, and
Human Services Division

B-283158

July 28, 2000

The Honorable Daniel P. Moynihan
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable Sander M. Levin
House of Representatives

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) significantly changed federal welfare policy for low-income families with children, building upon and expanding state-level reforms. Under the Temporary Assistance for Needy Families (TANF) block grant created by PRWORA, states have much greater flexibility than before to design and implement programs that meet state and local needs. At the same time, states must enforce a lifetime limit of 5 years (or less, at state option) on the length of time adults receive federal assistance and impose federal work requirements on most adults receiving aid. More specifically, states are to require adults receiving TANF aid to be engaged in work or work-related activities, as defined by the states, after 2 years of receiving assistance. In addition, to avoid financial penalties, states must ensure that increasing proportions of adult TANF recipients are working or engaged in federally specified activities for increasing numbers of hours through fiscal year 2002. Recipients' participation in PRWORA-specified activities, including unsubsidized employment, can be counted toward this target participation rate. These activities can be grouped into three broad categories: those that focus on finding a job, those that take place in a classroom or other educational setting, and those that take place at a job or work site. We refer in this report to activities that are based at a work site—with the exception of unsubsidized employment—as work-site activities: subsidized employment, community service, on-the-job training, and work experience. Many policymakers anticipate that as the federal participation rates increase and as state welfare caseloads become increasingly composed of those who are most difficult to employ—or if the economy falters—states will rely more heavily on work-site activities to meet federal work requirements or states' own welfare reform goals.

To better understand work-site activities currently in place and the role they may play as TANF evolves, you asked us to review (1) the key characteristics of work-site activities states and localities are using in their TANF programs, (2) the key challenges to implementing and administering work-site activities and some of the ways that states and localities have addressed these challenges, and (3) what is known about the effects work-site activities have had on participants' ability to successfully make the transition to unsubsidized employment and on their communities. To identify characteristics of work-site activities used across the nation, we analyzed participation data reported by states to the Department of Health and Human Services (HHS), which administers TANF at the federal level, and interviewed selected state TANF administrators and experts on TANF work programs. On the basis of this work, we selected for review nine work-site activities representing a range of activity types: four at the state level (two in Massachusetts and one each in Oregon and West Virginia) and five at the local level (in Chicago; New York City; Onondaga County, New York; Philadelphia; and San Francisco).[1] To describe work-site activities in more detail and to understand implementation challenges and performance results, we visited these locations, collecting data and documentation and conducting interviews with state and local TANF administrators and others involved in the work-site activities, including contractors and some clients and client advocacy groups. Although we identified a broad range of work-site activities in this way, they were judgmentally selected, and our results cannot be generalized to work-site activities across the nation. We conducted our work from July 1999 to July 2000 in accordance with generally accepted government auditing standards.

## Results in Brief

The work-site activities at the locations we visited have in common the assignment of TANF recipients to public or private sector employers to perform work in areas such as building maintenance, clerical work, unskilled health care, and food service. However, these work-site activities differ in two key ways. First, they play varying roles in their state's or locality's TANF program, with some TANF programs requiring almost all recipients who have not found a job after a fixed period of time to participate in work-site activities and others targeting work-site participation to individuals who face multiple barriers to work, such as limited work experience or English-language speaking skills. For example,

[1]While we have highlighted these types of work-site activities, states and localities may use variations and combinations of them to serve TANF clients.

New York City's TANF program assigns most adults to work-site activities soon after they begin receiving cash aid. Nationwide, New York City's program had the largest number of TANF recipients, almost 21,000, assigned to work sites in November 1999. In contrast, Chicago's TANF program targets participants with multiple barriers for work-site activities, relying on other activities for recipients with different employment-related needs. Work-site activities also differ in how closely they resemble welfare as opposed to employment, particularly in regard to participant payments. The work-site activities we reviewed range from those in which participants are expected to work in exchange for a welfare check to those in which participants (1) receive paychecks subsidized by TANF funds or other funding sources from which payroll taxes, including Social Security, are deducted and (2) qualify for the Earned Income Credit (EIC), which can provide additional income.

States and localities we visited have overcome multiple challenges in implementing and administering their work-site activities, including the challenge of recruiting employers and involving participants. In New York City, for example, the Mayor's decision to direct city government agencies to develop work-site assignments for welfare recipients was key to implementing such a large-scale program. Even in much smaller programs, administrators needed to develop relationships with employers and emphasize that they would save recruiting costs and benefit from access to prescreened, prequalified job candidates. Once work sites are in place, administrators must attend to participants' child care and transportation needs. Most of the sites we visited address these needs by having staff help participants secure appropriate child care services and transportation assistance in the form of fare cards or passes for public transportation. In addition, to deal with motivational problems that can interfere with attendance, administrators are relying on a combination of "carrots and sticks." For example, San Francisco offers financial incentives to participants ranging in value from $25 to $150 for good attendance or for staying on the job, and all states have policies requiring reductions in or elimination of cash aid, called sanctions, if a TANF recipient fails to comply with work requirements.

While the states and localities we visited generally have outcome data on key aspects of their TANF programs, such as the number of TANF recipients who find unsubsidized employment or leave welfare, less is known about outcomes specifically for work-site activity participants, and current information is not available on the effectiveness of work-site activities in promoting employment. In those cases in which outcome data

on employment and earnings for work-site participants are available, the data are not comparable among the different work-site activities. In addition, while outcome data are valuable in helping to understand the extent to which work-site participants become employed, a rigorous evaluation using these data would be needed to determine a work-site activity's effectiveness. Program administrators, participants, and others suggest that work-site activities can help participants with no prior work experience develop a resume and at the same time provide community services, such as preparing food for delivery to the elderly. However, some critics say that some work-site activities do not provide the necessary level of experience or skills to enable participants to make the transition to unsubsidized employment that leads to economic independence; some critics also say that work-site participants are brought in to replace regular salaried employees.

To provide more information on work-site activities, we recommend that HHS (1) require states to provide more information on the key characteristics of work-site activities they are using; (2) use its regional offices, HHS-sponsored conferences, and other means available to collect and disseminate information on promising work-site approaches; and (3) support evaluations to increase knowledge about the effectiveness of various types of work-site activities. HHS generally agreed with our recommendations and cited actions planned or under way to address them.

## Background

The welfare reform law transformed federal welfare policy for needy families with children by replacing the individual entitlement to benefits under the 61-year-old Aid to Families With Dependent Children (AFDC) program with TANF block grants to the states. The TANF block grant makes $16.8 billion available to the states each year through 2002, and in June 1999, states were providing TANF assistance to about 2.5 million families. Under TANF, aid recipients face stronger work requirements than under its predecessor program, and the population that can be required to work now includes all parents, rather than only those with children 3 years of age or older. If recipients fail to participate as required, states must at least reduce the family's grant and may opt to terminate the grant entirely. In addition, states must now enforce a 5-year limit (or less, at state option) on the length of time a family may receive federal TANF assistance.

States must require adults in families receiving TANF assistance to participate in work or work-related activities, as defined by the states, after receiving assistance for 24 months (or sooner, at state option). In addition,

to avoid financial penalties, states must ensure that at least a specified minimum percentage of adults are participating in work or work-related activities each year. The required number of hours of participation and the percentage of a state's caseload that must participate to meet mandated rates have steadily increased since 1997, as shown in table 1.

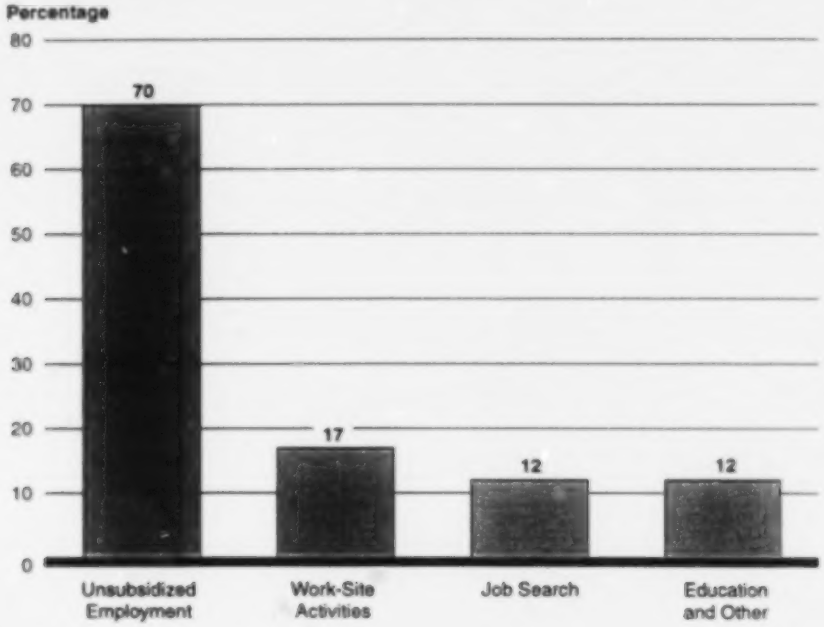
**Table 1: Federal Law Sets Increasing TANF Participation Requirements for All Families for Fiscal Years 1997-2002**

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|
| Minimum weekly hours | 20 | 20 | 25 | 30 | 30 | 30 |
| Minimum percentage participation | 25 | 30 | 35 | 40 | 45 | 50 |

Note: PRWORA also sets higher minimum hour and participation rates for two-parent families. The minimum hour requirement is 35 hours, and the minimum participation rate rises from 75 percent in 1997 to 90 percent in 1999 and beyond.

The welfare reform law also allows each state to reduce its annual mandated participation rate by an amount equal to the percentage that the state's welfare caseload has declined since fiscal year 1995. As a result, while states were to meet a 30-percent minimum participation rate in fiscal year 1998, the adjusted required participation rates ranged from 0 percent in four states—Indiana, Oklahoma, Oregon, and Wisconsin—to 28 percent in Hawaii. In fiscal year 1998, every state met its adjusted participation rate for single-parent families. As figure 1 shows, the largest percentage of TANF recipients meeting federal participation standards were engaged in unsubsidized employment—that is, they combined welfare and work. About 17 percent of TANF recipients were engaged in work-site activities—subsidized employment, community service, on-the-job training, and work experience.

**Figure 1: TANF Recipients Working or Participating in Work-Related Activities, Fiscal Year 1998**




Note: Percentages add up to more than 100 because participants may be counted in more than one work activity.

Source: HHS, Administration for Children and Families.

As specified in PRWORA, approved activities include, in addition to unsubsidized employment and work-site activities,[2] those focused on finding a job and those that take place in a classroom or other educational setting. The activities countable for participation rate purposes under PRWORA are more work-focused than those under AFDC, which generally

[2]For the purposes of meeting federal participation rates, PRWORA specifically defines approved work activities as unsubsidized employment, subsidized private or public sector employment, work experience, on-the-job training, job search and job readiness assistance, community service programs, vocational educational training, job skills training directly related to employment, education directly related to employment, satisfactory attendance at a secondary school or a course of study leading to a certificate of general equivalence, or the provision of child care services to an individual who is participating in a community service program.

allowed more education and training activities. Moreover, although subsidized employment, on-the-job training, and work experience were approved activities under AFDC as well, requirements relating to a number of aspects of each of these activities were specified, including such features as length of participation allowed and type and amount of payments to be made to participants and employers.[3] PRWORA does not specify any of the characteristics of these activities, and in the general explanation of the final TANF rule, HHS stated that it would not further define the terms in order to provide states with maximum flexibility in designing their TANF programs. HHS does, however, require states to provide it with state TANF plans and annual reports that include at least some information on TANF program activities, although detailed information describing work-site activities is not required. At the time of our review, little information describing work-site activities nationwide was available at the federal level.

## TANF Work-Site Activities Differ in Who Is Required to Participate and in How Much They Mirror Unsubsidized Employment

The TANF programs in the states and localities we visited all emphasize the need for TANF recipients to find unsubsidized employment. To help those recipients who have difficulty finding unsubsidized employment, states and localities have implemented work-site activities that differ in two key ways: the extent to which unemployed TANF recipients are required to participate in the activity and the degree to which the work-site activity has characteristics of an unsubsidized job. Some TANF programs require all unemployed recipients to participate in a work-site activity either immediately after becoming a cash assistance recipient or after a specified period of time on assistance. Other TANF programs target their work-site activities to recipients with specific barriers to employment, such as limited work experience. Moreover, some states and localities have implemented work-site activities for which participants receive a subsidized paycheck and qualify for the EIC; participants in other work-site activities work in exchange for their cash assistance check.

[3]For more information on work-site activities allowed under the AFDC welfare-to-work program, the Job Opportunities and Basic Skills Training Program, see *Welfare to Work: Most AFDC Training Programs Not Emphasizing Job Placement* (GAO/HEHS-95-113, May 19, 1995).

## TANF Programs Differ in Their Reliance on Work-Site Activities

Although in all the locations we visited work-site participants generally are performing the same type of work—such as housekeeping, janitorial, clerical, unskilled health care, or food service—we identified differences in the extent to which unemployed TANF recipients are required to participate in these work-site activities. These differences primarily concern when unemployed adult recipients are required to participate and how broadly the work-site activity requirement is applied to the TANF caseload. Accordingly, we categorized the work-site activities by one of three characteristics: those that require immediate work-site participation, those that require work-site participation after a specified delay, and those that are targeted toward a particular group. Table 2 shows the work-site activities we reviewed and how we classified them.

**Table 2: Key Characteristics of the Work-Site Activities Reviewed**

| Work-site activity | Who is required to participate[a] | When participation is required | Number of hours required at work site | Maximum length of time allowed to participate |
|---|---|---|---|---|
| **Immediate work-site requirement[b]** | | | | |
| New York City Work Experience Program (WEP) | All unemployed recipients | Once approved for cash aid | 35 hours per week[c] | As long as receiving cash assistance, up to the 5-year aid limit |
| Onondaga County, N.Y. WEP | All unemployed recipients | 4 weeks after cash aid approval | Varies; generally 20 hours per week[c] | As long as receiving cash assistance, up to the 5-year aid limit |
| Massachusetts Community Service | All unemployed recipients[d] | 60 days after cash aid approval | 20 hours per week | As long as receiving cash assistance, up to the 2-year aid limit |
| **Delayed work-site requirement** | | | | |
| San Francisco Community Jobs Initiative | All unemployed recipients | 18-24 months after signing welfare-to-work plan[e] | 32 hours per week | 9 months |
| Philadelphia Paid Work Experience | All unemployed recipients | After 24 months of receiving cash aid | 20 hours per week[f] | 6 months |
| **Targeted work-site activity** | | | | |
| Chicago WorkFirst | Recipients with no child under age 13 or with multiple barriers to working | Any time during receipt of cash aid | Up to 40 hours per week | As long as receiving cash assistance, up to the 5-year aid limit |
| Massachusetts Supported Work | Recipients with multiple barriers to working | At participant's option | 30-40 hours per week | 39 weeks[g] |

(Continued From Previous Page)

| Work-site activity | Who is required to participate[a] | When participation is required | Number of hours required at work site | Maximum length of time allowed to participate |
|---|---|---|---|---|
| Oregon JOBS Plus | Recipients who need work to develop specific job skills or work habits | At participant's option | No minimum; generally 30-40 hours per week | No overall limit specified, but recipients may be at one particular site for maximum of 6 months |
| West Virginia Community Work Experience Program (CWEP) | Recipients with little or no work experience | Any time during receipt of cash aid | Up to 30 hours per week[h] | As long as receiving cash assistance, up to the 5-year aid limit |

[a]All locations we visited exempt some portion of the TANF caseload from the requirement to work or participate in a work-related activity on the basis of age, disability, or other reasons specific to the location. This category refers to individuals who have not been exempted from the location's requirement.

[b]In addition to individuals applying for TANF, those already receiving TANF may be required to participate.

[c]The maximum number of hours required equals the TANF grant plus the food stamp amount divided by the minimum wage. Most TANF recipients in New York City receive a large enough grant to require 35 hours of work or other concurrent activity per week.

[d]This applies only to recipients whose youngest child is over age 5. Massachusetts is still operating under a waiver granted under prereform rules to exempt parents with younger children.

[e]California requires new TANF recipients to meet a community-service requirement 18 months after signing a welfare-to-work plan, or after 24 months if they were on assistance when the community-service requirement took effect. Counties have the option to extend the time to 24 months for new recipients on a case-by-case basis. The welfare-to-work plan documents how the participant will meet the requirement to participate in a work activity for 32 hours per week during the first 18 to 24 months.

[f]Participant engages in 20 hours of paid work experience and 5 hours of other countable activity, such as budgeting or life skills classes.

[g]If a participant has not been hired at the work site after 39 weeks, the placement will be reevaluated. If the participant may be hired at that site, the participant may receive an extension at the work site. Otherwise, another work-site position for the participant will be pursued.

[h]Participants must meet the federal standard of 30 hours per week, but the number of hours may be less if the TANF grant plus the food stamp amount divided by the minimum wage equals less than 30 hours per week.

Source: States and localities visited.

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Three of the TANF programs whose work-site activities we reviewed have an immediate work-site requirement for almost all unemployed recipients. In these programs, TANF recipients who have not found jobs after an initial search for work are required to participate in a specific work-site activity, for a fixed amount of time per week, almost immediately or soon after they have been approved for cash assistance. Not only do these TANF programs provide a way for recipients to meet their participation requirements, but they also discourage those who are already working, or who are able to find a job, from applying for welfare.[4]

- In New York City, the TANF program assigns almost all unemployed recipients to its WEP immediately after cash aid approval. Recipients who have been identified as having medical limitations or limited English-language skills may be referred to other activities, such as the recently implemented Personal Roads for Individual Development and Employment project or the ongoing Begin Employment Gain Independence Now, both of which combine a work-site assignment with specialized activities or education and training as needed to meet participants' needs. According to New York City officials, they are planning to combine work-site activities with other activities such as job search and courses for the General Education Diploma even if recipients do not have specific barriers.
- In Onondaga County, which includes the city of Syracuse in New York State, the TANF program requires unemployed recipients to participate in a 4-week class after being approved for cash aid that is designed to help them find a job and determine their interests and skills. Recipients who are not employed at the end of the class are assigned to a work site.
- In Massachusetts' TANF program, adult recipients whose youngest child is over the age of 5 have 60 days from application approval to find a job. If a recipient is not employed or participating in another work activity at that point, he or she must participate in the Community Service work-site activity for 20 hours a week.

Two of the other TANF programs whose work-site activities we reviewed also require unemployed recipients to participate in a work-site activity, but the requirement is delayed. In San Francisco and Philadelphia, recipients

[4]See Moffitt, Robert A., "The Effect of Employment and Training Programs on Entry and Exit from the Welfare Caseload," *Journal of Policy Analysis and Management*, Vol. 15, No. 1, pp. 32-50 (1996) for a discussion of the effects various work-related activities can have on an individual's decision to apply for and enter the rolls or to leave the rolls.

are allowed up to 24 months to find unsubsidized employment, after which they are assigned to a work-site activity. At the time of our visit, San Francisco was operating its work-site activity, called Community Jobs Initiative, on a pilot basis for recipients who had been receiving aid for at least 12 months, had little or no work experience, and had been unable to find a job. In anticipation of recipients reaching the 18- to 24-month mark in the summer of 2000 and thus needing to meet the state community service requirement, San Francisco officials are expanding the pilot to the entire caseload. Pennsylvania requires participation in its Paid Work Experience activity after 2 years.

In contrast to work-site activities designed for all unemployed recipients, some of the TANF programs we visited target work-site activities to recipients with specific characteristics. TANF programs in Chicago, Oregon, and West Virginia and Massachusetts' Supported Work offer work-site activities designed to address barriers that recipients face in finding unsubsidized employment, such as lack of specific job skills, poor work habits, or inability to exhibit appropriate workplace behaviors; limited reading proficiency; limited English-language speaking skills; and little or no work experience.[5]

The work-site activities we reviewed varied in both the absolute number of participants and the proportion of unemployed recipients participating in the work-site activity, ranging from 83 participants in San Francisco's Community Jobs Initiative to approximately 21,000 participants in New York City's WEP. Several factors influenced the scale of the work-site activity, including the role of the work-site activity within the TANF program, the total adult TANF caseload size, the number of employed TANF recipients, and the number of adult recipients participating in other activities. To better understand the role of particular work-site activities in our sites, we calculated the percentage of unemployed TANF recipients meeting their participation requirement through participation in the work-site activity under review. Table 3 shows that two of the broad-coverage TANF work-site activities had higher proportions of participants than TANF programs that use a targeted approach. However, as in the case of Chicago, a work-site activity with a targeted approach can involve a significant percentage of active TANF participants if its target population is

[5]Chicago's WorkFirst originally targeted TANF recipients who had no children under age 13, but as of January 2000, it also targets recipients who face multiple barriers to employment.

sizable. With the exception of New York City, the scale of the work-site activities in absolute numbers is relatively small.

**Table 3: Selected Data on TANF Caseload for Each Work-Site Activity, November 1999**

| Work-site activity | Total adult TANF caseload | Adult TANF recipients in unsubsidized employment | Unemployed adult TANF recipients participating in any activity[a] | Unemployed adult TANF recipients participating in this work-site activity | Percentage of all participants that participate in this work-site activity |
|---|---|---|---|---|---|
| **Immediate work-site requirement** | | | | | |
| New York City WEP | 156,357 | 29,374 | 38,652 | 20,951 | 54 |
| Onondaga County, N.Y. WEP | 3,015 | 987 | 364 | 209 | 57 |
| Massachusetts Community Service | 29,769 | 4,716 | 8,036 | 696 | 9 |
| **Delayed work-site requirement** | | | | | |
| San Francisco Community Jobs Initiative | 5,622 | 1,891 | 2,864 | 83 | 3 |
| Philadelphia Paid Work Experience | 37,852 | 7,158 | 5,142 | 1,528 | 30 |
| **Targeted work-site activity** | | | | | |
| Chicago WorkFirst | 59,252 | 24,282 | 7,918 | 2,119 | 27 |
| Massachusetts Supported Work | 29,769 | 4,716 | 8,036 | 564 | 7 |
| Oregon[b] JOBS Plus | 11,541 | 2,775 | 10,287 | 403 | 4 |
| West Virginia CWEP | 13,838 | 1,816 | 5,768 | 1,060 | 18 |

Note: Recipients in the process of being sanctioned are not included in this chart. Recipients may be counted in more than one work activity.

[a]Other activities are those defined by the states and those that are listed in the federal law.

[b]These figures include both one- and two-parent families.

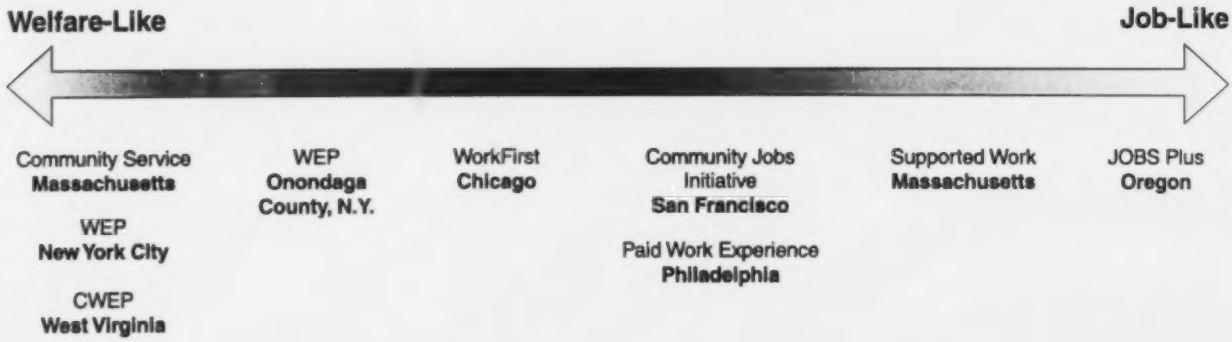
Source: GAO analysis of state administrative data.

## Some Work-Site Activities Are Designed to Be More Job-Like Than Welfare-Like

Another key factor distinguishing one type of work-site activity from another is how much these activities mirror a "real job." All work-site activity participants were generally performing similar types of work , such

as housekeeping, janitorial service, clerical work, unskilled health care, or food service. However, what differs among work-site activities is the extent to which participants' financial benefits and responsibilities are more similar to those of traditional welfare programs than to those of unsubsidized employment. As shown in figure 2, the work-site activities we reviewed can be arrayed along a continuum, ranging from activities that are more welfare-like to those that are more job-like.

**Figure 2: Continuum of Work-Site Activities**




Work-site activities that are more welfare-like generally emphasize a TANF recipient's obligation to work in exchange for cash assistance. As shown in figure 3, participants in these work-site activities receive a TANF check, and the maximum number of hours they are required to work is calculated by dividing the TANF grant amount plus food stamp benefits by the minimum wage. A slight difference exists in Onondaga County, where work-site positions are supplemented with job search assistance while the participants are in the work-site activity, thus emphasizing the need for participants to find unsubsidized employment.

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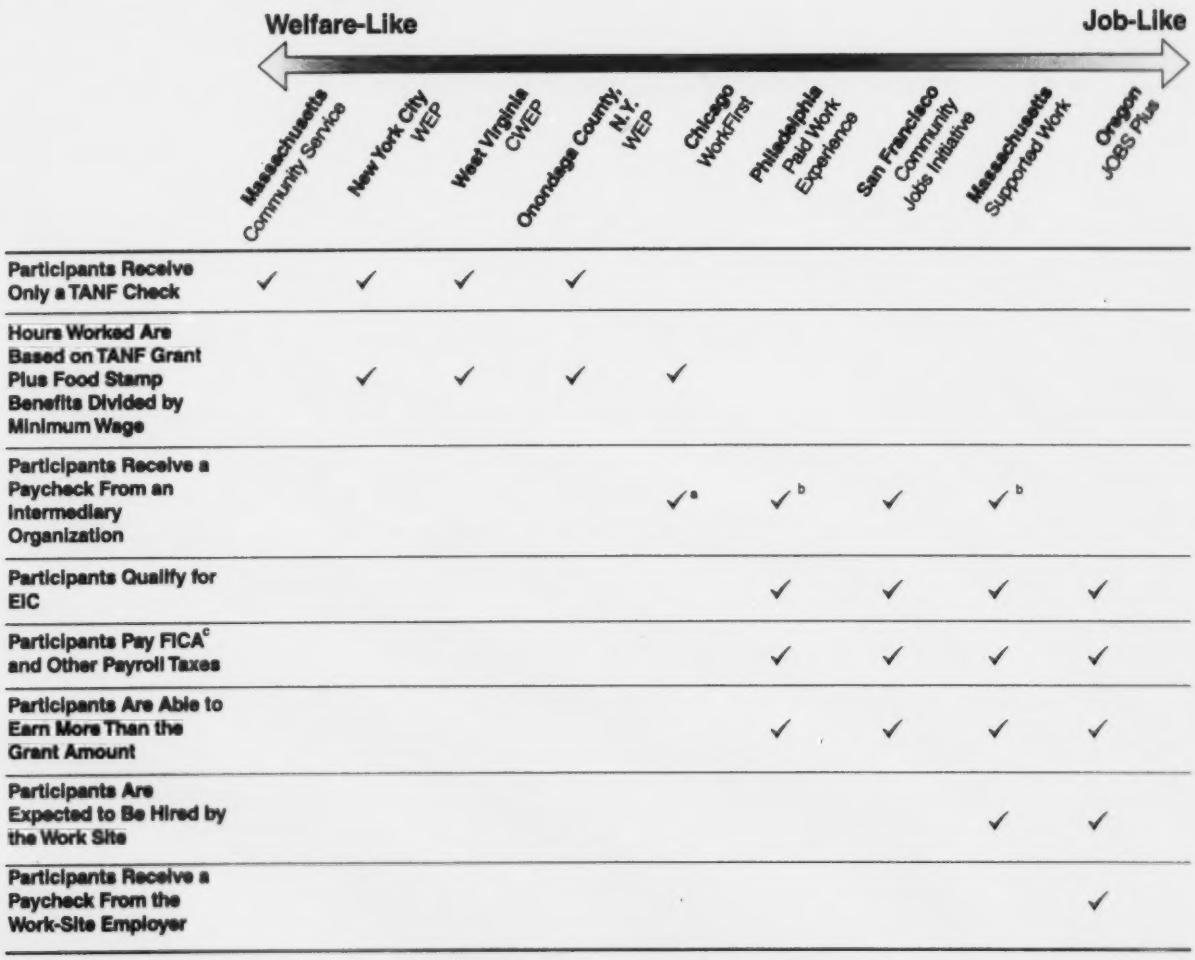
Figure 3: Characteristics of Work-Site Activities Along the Continuum


Welfare-Like
Job-Like
Massachusetts Community Service
New York City WEP
West Virginia CWEP
Onondaga County, N.Y. WEP
Chicago WorkFirst
Philadelphia Paid Work Experience
San Francisco Community Jobs Initiative
Massachusetts Supported Work
Oregon JOBS Plus
Participants Receive Only a TANF Check
Hours Worked Are Based on TANF Grant Plus Food Stamp Benefits Divided by Minimum Wage
Participants Receive a Paycheck From an Intermediary Organization
Participants Qualify for EIC
Participants Pay FICA[c] and Other Payroll Taxes
Participants Are Able to Earn More Than the Grant Amount
Participants Are Expected to Be Hired by the Work Site
Participants Receive a Paycheck From the Work-Site Employer
✓[a]
✓[b]
✓[b]

[a]Intermediary organizations issue TANF benefits in the form of a paycheck, but the benefits are not considered earned income.

[b]Because of policies that disregard some earnings in calculating recipients' eligibility for and amount of aid (called earnings disregards), some work-site activity participants may receive a reduced TANF benefit check in addition to the paycheck. For instance, Philadelphia disregards 50 percent of Paid Work Experience participants' earnings; thus, participants may be eligible to receive a small supplemental TANF check.

[c]Federal Insurance Contributions Act.

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In the middle of the continuum, Philadelphia's Paid Work Experience and San Francisco's Community Jobs Initiative are more job-like than those discussed above. Participants in both activities receive paychecks, qualify for the EIC, have payroll taxes deducted, and are able to earn more than their grant amount.[6] Nonetheless, participants' paychecks are subsidized by TANF funds and are issued from an intermediary organization, such as a nonprofit organization, rather than the work-site employer, and participants are not considered employees of the work site.[7]

Finally, work-site activities on the right side of the continuum have additional characteristics not found in Philadelphia's and San Francisco's work-site activities. Participants in Oregon's JOBS Plus are considered employees of the work site. They are paid by the work-site employer and make at least the state minimum wage. The welfare agency reimburses the employer for 100 percent of the minimum wage for up to 40 hours a week, for workers' compensation, and for other payroll taxes.[8] In addition, while there is no contractual obligation on the part of work-site employers to hire JOBS Plus participants, there is a mutual expectation that work-site employers will hire participants for an unsubsidized job if they perform well. Placements of participants at subsidized work sites in Massachusetts' Supported Work are also expected to lead to unsubsidized employment with that work-site employer. The key difference is that Supported Work participants are considered employees of an intermediary organization rather than of the work site.

## Work-Site Activities Differ in Administration and Funding

Along with differences in participants' financial benefits and responsibilities are differences in how the work-site activities are administered and funded, as shown in table 4. Generally, the work-site activities that are more welfare-like are administered by the state or local

[6]Under TANF regulations, when TANF funds are used to subsidize wages, the resulting wage payments to recipient-employees do not constitute assistance and do not count against the 60-month federal time limit. This does not prevent states from counting months in subsidized jobs against their own state time limits, and most states in our review did so.

[7]California allows counties to adopt one of two approaches to community service: either a work-for-cash-assistance approach or an approach in which recipients work and receive a paycheck subsidized by their cash assistance grant. San Francisco elected to adopt the second approach.

[8]This approach, in which a welfare recipient's grant is "diverted" to an employer who agrees to employ the person, has been known as grant diversion under past welfare programs.

TANF agency, which places recipients at work sites and monitors them to ensure that they are meeting their work-site obligation. However, the New York City TANF agency uses a hybrid approach, assigning recipients to either a city agency or a community-based organization that supervises participants at a work site and monitors their attendance. In October 1999, almost 70 percent of New York City WEP participants were assigned in large groups to public sector agencies, where participants performed such tasks as cleaning city court buildings and providing administrative support, among others. New York City WEP participants referred to a community-based agency performed the same types of work, such as maintenance or clerical tasks, but for nonprofit organizations.

**Table 4: Information on Administration and Funding for Nine Work-Site Activities**

| Work-site activity | Work-site administrator | Funding source |
|---|---|---|
| Massachusetts Community Service | TANF agency | TANF |
| New York City WEP | TANF agency, city agencies, nonprofit and for-profit contractors | TANF; federal welfare-to-work grant |
| West Virginia CWEP | TANF agency | TANF |
| Onondaga County, N.Y. WEP | Nonprofit contractor | TANF |
| Chicago WorkFirst | Nonprofit and for- profit contractors | TANF |
| Philadelphia Paid Work Experience | Nonprofit and for profit contractors | TANF; federal welfare-to-work grant; private foundations[a] |
| San Francisco Community Jobs Initiative | Nonprofit contractors | TANF; federal welfare-to-work grant; city general fund revenues; private foundations |
| Massachusetts Supported Work | Nonprofit contractors | TANF; state general fund revenues |
| Oregon JOBS Plus | Nonprofit contractors | TANF; food stamps (under waiver) |

[a]A nonprofit contractor we visited in Philadelphia, the Transitional Work Corporation, which is headed by a board that includes the city's mayor, state-level TANF officials, and others, had received a grant from a private foundation to serve Paid Work Experience participants.

Locations with more job-like work-site activities typically contract with external organizations to administer the work-site activity. For example, in

Philadelphia and San Francisco, contractors are responsible for identifying work sites; assessing and placing participants at work sites; issuing participants' paychecks; monitoring the quality of the work site to ensure that the position is meeting the participant's needs; and providing support to help participants handle any problems that may interfere with their attendance, such as a breakdown in child care arrangements. TANF agencies pay contractors for enrolling participants in the activity and placing participants at a work site. Contractors can receive additional payments for placing participants in unsubsidized jobs and if the individual retains that job for a period of time.

Work-site activities in Philadelphia, San Francisco, Oregon, and Massachusetts' Supported Work incur additional costs, such as payroll taxes and workers' compensation premiums, not associated with work-site activities in which participants work in exchange for a cash assistance check. To cover these costs, contractors and TANF agencies in these locations have tapped into non-TANF resources, including, in some cases, the federal welfare-to-work grant administered by the Department of Labor.[9] These locations use contractors to administer these work-site activities and often rely on performance-based contracts to encourage the contractors through financial incentives to develop work-site positions that match the skills and abilities of TANF recipients.

## States Face Multiple Challenges in Implementing and Administering Work-Site Activities

States and localities must overcome a number of challenges during the initial implementation and ongoing operation of work-site activities. Some of these challenges include designing and implementing, within state and federal laws, a program that reflects the vision of the local elected leadership. Program administrators also must garner community support and identify and involve employers. Once the work-site activity has been established, program administrators face the additional challenge of getting TANF recipients to report to work sites and motivating them to take advantage of opportunities to improve their work habits and skills through participation in these activities.

[9]The Balanced Budget Act of 1997, amended by the Consolidated Appropriations Act of 2000, appropriated nearly $3 billion in welfare-to-work grants to be awarded by the U.S. Department of Labor to states and local communities to move welfare recipients into jobs. For a review of the early implementation of programs funded with welfare-to-work grants, see Demetra Smith Nightingale and others, *Early Implementation of the Welfare to Work Grants Program: Findings From Exploratory Site Visits and Review of Program Plans* (Washington, D.C.: The Urban Institute, Feb. 2000).

## Initial Implementation Is Affected by Local Policy and Legal and Economic Factors

Agency officials at each of the locations we visited said that they are challenged to implement work-site activities that reflect the preferences of local elected leaders, are in accordance with applicable laws, and take local economic conditions into account. In particular, elected leaders influence the choices that agencies make regarding work-site activities for TANF recipients and can facilitate or hinder the implementation of particular activities. For example, in New York City, the Mayor chose to expand a work-site activity that existed prior to welfare reform when implementing work requirements for all families receiving cash assistance. The existing work-site activity, New York City's WEP, initially required only childless adults receiving state-funded cash assistance to work in city agencies. In 1996, the Mayor extended the work requirement to certain families receiving AFDC, both to ensure that all able-bodied recipients in the city were engaged in work and to discourage their dependency on cash assistance. The Mayor directed the heads of municipal agencies to bring more WEP workers into their agencies, and, in response, city commissioners had to create the large number of assignments needed to accommodate the increase in mandatory participants. In San Francisco, to meet state community service requirements established after federal welfare reform, the Mayor and Board of Supervisors, after considering unpaid work programs such as the one in New York City, chose to implement a more job-like program in which participants receive wages, subsidized by TANF funds, in exchange for their participation. City leaders in San Francisco believed that this would be more effective in moving TANF recipients to unsubsidized employment and would have the additional benefit of making participants eligible for the EIC.[10] As a result, San Francisco's TANF agency has been charged with creating a highly individualized program with an intensive case management component.

Minimum wage requirements can also influence the extent to which states may use particular work-site activities. In particular, the Department of Labor has determined that under the Fair Labor Standards Act of 1938, as amended, TANF recipients who are required to participate in work-site activities must receive assistance that is at least equal in value to the minimum wage multiplied by the number of hours worked.[11] This

[10]San Francisco officials said recipients may qualify for an EIC benefit that averages $115 per month.

[11]U.S. Department of Labor, *How Workplace Laws Apply to Welfare Recipients* (Washington, D.C.: Department of Labor, May 1997).

requirement affects the number of hours that states may require participants to engage in work-site activities, particularly in states that provide relatively low levels of TANF cash assistance.[12] For example, while the maximum monthly amount of TANF cash assistance for a family of three in San Francisco is $626, in West Virginia, the maximum monthly grant amount is $353. To increase the number of hours participants may work, states may include the value of their federal food stamps when calculating assistance to TANF recipients, and most of the states we visited did so. This addition brings the number of hours close to the 30-hour-per-week federal target in most of the states that we visited. In cases in which it does not, such as for some two-parent families in West Virginia, states may require TANF recipients to supplement work-site activities with other countable work activities, such as community volunteering.

Local economic conditions, especially the availability of jobs for less skilled workers, can also influence the types of work-site activities that agencies develop for TANF recipients. In West Virginia, officials told us that work-site assignments in state agencies are one of the few options available for participants with limited skills who have been unable to secure unsubsidized employment, particularly in areas where the coal industry has been in decline. West Virginia has used such assignments extensively since the 1980s as a means of promoting work among those receiving cash assistance.[13] A recent study on the history of mandatory work programs for welfare recipients suggests that when the economy is weak, the option of expanding public employment opportunities can become attractive and cites West Virginia's long-standing CWEP as an example that maintains a safety net for families while ensuring that cash assistance recipients meet their social obligation to work in exchange for this assistance.[14]

West Virginia has also gone beyond its more traditional program and created public sector jobs reserved for TANF recipients in the state's Courtesy Patrol, which provides aid to motorists. The program is funded primarily by the state's Department of Highways but uses supplemental

[12] *Welfare Reform: Few States Are Likely to Use the Simplified Food Stamp Program* (GAO/RCED-99-43, Jan. 29, 1999).

[13] GAO/HEHS-95-113, May 19, 1995.

[14] David T. Ellwood and Elisabeth D. Welty, *Public Service Employment and Mandatory Work: A Policy Whose Time Has Come and Gone and Come Again?* (Cambridge, Mass.: The Kennedy School of Government, Harvard University, Mar. 6, 1999), pp. 4-5.

funding from private foundation grants and from federal government sources, including welfare-to-work grant funds and, for support services, some TANF funds. Since 1998, the Courtesy Patrol has provided temporary jobs for 133 former TANF recipients while also providing a valuable service to motorists in West Virginia.

## Recruiting Employers and Participants Presents Further Challenges

Contractors and agencies that administer work-site activities face the ongoing challenge of recruiting employers who can accommodate the developmental needs of TANF recipients. At the same time, they must ensure that they have adequate numbers of TANF participants to fill work sites. For contractors, this is a particular challenge, because they must rely on case managers from other agencies to make referrals or recruit TANF recipients themselves.

At some of the sites that we visited, program officials have been able to develop work-site positions that meet their program needs, primarily through the efforts of specialized program staff or employers who have had positive experiences with their programs. Nonetheless, program officials reported that they face employers' negative stereotypes about welfare recipients, or employers' unrealistically high expectations of participants. Job developers in Massachusetts' Supported Work program address negative stereotypes by avoiding use of the word "welfare" in discussions with potential employers, and in Oregon, potential JOBS Plus employers are carefully screened to ensure that placements are appropriate and mutually beneficial to employers and participants. Also, in previous work we found that employers may be reluctant to provide work-site positions when a subsidy is not considered adequate to compensate them for the additional costs that are involved in providing these positions.[15] To overcome employer reluctance, one vendor tells employers it will save the employers recruiting costs by referring people who are prescreened and prequalified for a position.

Work-site activity administrators in San Francisco and Philadelphia cited internal, administrative difficulties in getting state or local agencies to refer recipients to work-site activities during the start-up of their programs. Administrators in San Francisco have focused on improving communications with case managers who perform individual assessments of TANF recipients and who provide referrals for work-site activities in an

[15]GAO/HEHS-95-113, May 19, 1995.

effort to obtain more referrals. Contractors offering Paid Work Experience in Philadelphia present information about the services that they offer directly to TANF recipients to encourage participation. At the time we visited, several of the sites had more work-site positions than participants.

## Facilitating Participation and Motivating Participants in Work-Site Activities Are Difficult

When recipients are referred, many fail to report to the work site. This creates additional paperwork burdens for agencies and contractors, who must follow up with these nonparticipating TANF recipients, either to provide needed support services or to ensure that any penalties for nonattendance are assessed.

Program administrators at most of the sites we visited reported that once people are assigned to work sites, additional challenges related to facilitating and motivating recipients' continued participation arise. Officials in New York City, Chicago, San Francisco, and West Virginia noted that securing child care is a key challenge for participants in work-site activities, as is typically the case when single parents work or participate in work-related activities. To address this issue, each of the sites that we visited provides child care assistance to families participating in work-site activities. At three of the sites that we visited, child care liaisons or specialists are available to help work-site participants secure appropriate child care services. In San Francisco, counselors work with TANF recipients before placing them at work sites to ensure that, if their children get sick, they have alternative child care arrangements. Massachusetts has avoided many child care problems because it exempted parents of non-school-age children from the work requirement under its prereform waiver program. Also, TANF recipients who perform Community Service in Massachusetts are required to spend only 20 hours per week in that activity and may schedule these hours around their children's schedules.

Most of the sites that we visited also provide transportation assistance to participants in work-site activities in the form of fare cards, passes, or reimbursement for public transportation. West Virginia, much of which is inaccessible by public transportation, is piloting a car leasing program that will enable TANF recipients to lease vehicles at reduced cost. Onondaga County has also established a car buying program, in which donated cars are repaired and sold at cost to those who need them.

In Chicago, Massachusetts, New York City, Philadelphia, and San Francisco, language barriers were cited as a particular challenge. At each of these locations, agencies have established contracts with local

community-based organizations that specialize in serving non-English-speaking populations. In Chicago and Massachusetts, contractors serving those with limited English skills actively recruit employers who do not require English proficiency, or who share a TANF recipient's first language. The Massachusetts Supported Work program also offers an "English for Employment" training component in its basic skills training curriculum, and San Francisco is considering exempting Community Jobs Initiative participants with limited English proficiency from work requirements until after they have received services to improve their language skills.

After agencies have taken steps to ensure that TANF recipients are able to participate in work-site activities, they may face additional challenges with recipients who are reluctant or resistant to engaging in these activities. Officials at six of the locations that we visited reported some difficulty with motivating continued participation in work-site activities. Other research confirms that work-site administrators can expect levels of nonparticipation as high as 50 percent.[16] A 1998 survey conducted by the Massachusetts TANF agency of community organizations that provided work-site assignments for TANF recipients cited motivational and attitudinal problems, such as unwillingness to work and poor attitude, as obstacles that these organizations had encountered with work-site activity participants.

Some work sites have addressed the issue of motivation by contracting with community-based organizations for liaisons to provide personal outreach to TANF recipients. These liaisons help TANF recipients to access services that may enable them to fulfill their obligation to perform work-site activities or to resolve work-site issues that may limit recipients' willingness to report for their assignments. Involving the recipients in the up-front assessment and giving them the flexibility to set their schedules for training and work-site activities is also seen as a key to breaking down motivational barriers. Oregon also colocates its employment and TANF programs to streamline the referral process and to improve access to needed employment services.

Agencies or contractors may also offer incentives to motivate TANF recipients' participation in work-site activities. Program administrators

[16]LaDonna Pavetti and others, *The Role of Intermediaries in Linking TANF Recipients with Jobs*, report by Mathematica Policy Research, Inc., for the Office of the Assistant Secretary for Planning and Evaluation, HHS (Washington, D.C.: HHS, 2000), p. xv.

from San Francisco's Community Jobs Initiative program noted that 31 percent of the 221 clients enrolled in the program between February 1999 and February 2000 did not complete it. The Community Jobs Initiative program has always offered participants food or clothing gift certificates ranging in value from $25 to $150 to reward them for good attendance or retaining an unsubsidized job for more than 1 month.

States also use financial penalties, or sanctions, to motivate TANF family members to meet their work obligations.[17] For example, if an adult member of a family receiving TANF in New York City refuses to participate in a work-site activity, the city's Human Resources Administration may reduce the family's grant. On November 15, 1999, 34,000 cases were under consideration for financial penalties for failure to comply with work requirements, and the cash grants for another 19,000 cases had been reduced because of participants' failure to comply with program requirements.

## Little Is Known About Work-Site Activities' Effects on Participants and Communities

In the states we visited, TANF program administrators, recipients, employers, and others said that participation in work-site activities helps TANF recipients make the transition into unsubsidized employment and contributes to the community. While states generally have data on key employment outcomes for TANF recipients, this information is not uniformly collected specifically for those engaged in work-site activities. Moreover, additional information would be needed to assess program effects. One of the sites we visited plans to evaluate its work-site activity. In addition to positive comments about work-site activities, we also heard some concerns that (1) work-site activities do not provide the necessary level of experience or skills to enable participants to make the transition to unsubsidized employment that leads to economic independence and (2) work-site participants replace regular salaried employees.

### Little Information Is Available on the Effectiveness of TANF Work-Site Activities

Proponents of work-site activities believe that they contribute to the employability of welfare recipients, deter individuals from going on or staying on welfare, provide useful community services, and meet the public's preference for providing cash assistance to only those individuals

[17]For a discussion of the sanction policies of all states, see *Welfare Reform: State Sanction Policies and Number of Families Affected* (GAO/HEHS-00-44, Mar. 31, 2000).

who are working or taking steps to become employed. To determine whether participation in work-site activities increases employment and earnings, it is necessary to have information on key outcomes, such as whether participants become employed and how much they earn, as well as a way to determine if these outcomes differ from what would have happened if participants had not taken part in the work-site activity. To determine whether these activities deter people from welfare is even more difficult because it requires having information about individuals who do not enter the system at all or who leave earlier than they would have if there had been no requirement to participate in these activities.

The states and localities that we visited have collected some data on outcomes for TANF recipients, both for federal reporting purposes and to meet their own management information needs.[18] At the federal level, states generally report, among other things, the employment status of TANF recipients, the number who leave welfare because of employment, their earnings, and how long they retain their jobs. However, states do not report these outcomes by type of activity in which TANF recipients are engaged. At the state and local levels, program administrators collect the data they need to manage their programs, which may include outcomes for specific work-site activities. The states and localities we visited that have contracted out administration of work-site activities generally collect employment outcome data to help them monitor contractor performance; however, these data may not be reported or summarized for all the contractors conducting the activity in an entire locality or state. An Oregon official told us that although program administrators could report employment by work-site activity in their state, they generally did not do so because their interest is in the performance of the entire TANF program and not an individual component activity. The Pennsylvania Department of Public Welfare, which monitors the Philadelphia work-site activity contracts, also does not summarize employment outcomes by work-site activity. In contrast, the Illinois Department of Human Services reports employment and earnings outcomes for each Chicago WorkFirst contractor as well as totals for all contractors. WorkFirst contractors report monthly billing and participant information, including the number of participants who become employed and their wage at placement, which the Department summarizes and uses in its quarterly meetings with the contractors. The

[18]For a discussion of the information needs of states under welfare reform, see *Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Attention* (GAO/HEHS-00-48, Apr. 27, 2000).

Department also summarizes the information for all contractors semiannually to assess the performance of the overall Chicago WorkFirst activity. Illinois used these data to help redesign the WorkFirst program to more effectively serve participants who need additional support to make the transition to unsubsidized employment.

Some of the work-site administrators we spoke with believed that their programs showed promise in increasing employment outcomes for TANF recipients. As shown in table 5, Philadelphia's Transitional Work Corporation, one of several work-site activity contractors in Philadelphia, reported that 244, or 24 percent, of the TANF recipients enrolled in its program from May 1999 to March 2000 made the transition to unsubsidized employment, with average wages of $7.27 per hour. Program administrators from San Francisco's pilot program were encouraged that 38 of the 245 recipients enrolled since the program began had moved into full-time unsubsidized jobs with benefits and an average wage of $9.53, even though most enrollees had not yet been at their work sites for the expected 9-month period.[19] Massachusetts reported that more than half of the 1,586 participants in its Supported Work program were placed in unsubsidized employment during July 1998 to June 1999. While placement rates play an important role in assessing program performance, additional information and analysis would be needed to determine the relative effectiveness of each work-site activity and to assess the contribution of other factors, such as the economy or participant characteristics.

[19]San Francisco officials stated that 92 percent of recipients who had completed their work-site assignments had been placed in an unsubsidized job.

**Table 5: Outcomes for Five Work-Site Activities**

| Work-site activity | Data collection period | Number enrolled | Number placed in unsubsidized jobs | Average wage at placement |
|---|---|---|---|---|
| Chicago WorkFirst | April 1996 to July 1999 | 10,750 | 1,015 (9 percent) | $6.89[a] |
| Philadelphia Paid Work Experience[b] | May 1999 to March 2000 | 1,029 | 244 (24 percent) | 7.27 |
| San Francisco Community Jobs Initiative | February 1999 to May 2000 | 245 | 38 (16 percent) | 9.53 |
| Massachusetts Community Service | July 1998 to June 1999 | 1,419 (monthly average) | 470 (percentage not applicable) | 6.51 |
| Massachusetts Supported Work | July 1998 to June 1999 | 1,586 | 829 (52 percent) | 7.08 |

[a]Based on the 301 placements for which there were wage data.

[b]These data were reported by the Transitional Work Corporation, which is one of several work-site activity contractors in Philadelphia.

Source: Data from state and local administrators.

In a TANF program in which a work-site activity is the primary activity for a substantial portion of TANF recipients, such as New York City's program, data on outcomes for the entire TANF caseload could be considered to reflect to some extent the outcomes for the work-site activity. A New York City administrator told us that the city's WEP and the emphasis on the importance of work have been key factors in reducing the total number of AFDC/TANF recipients from about 860,000 in March 1995 to about 530,000 in November 1999. However, without a rigorous evaluation, it is not possible to determine how much of this caseload reduction is the result of required participation in the work-site activity and how much is due to other factors, such as the economy.

## Past Evaluations Provide Some Support for Value of Work-Site Activities

While research on work-site activities in the new welfare environment is lacking, evaluations of similar activities implemented during the 1980s, in which welfare recipients were expected to work in exchange for their benefits, did not find that participation in these work-site activities increased employment or earnings.[20] However, both participants and their

[20]See Thomas Brock, David Butler, and David Long, *Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research* (New York, N.Y.: MDRC, Sept. 1993).

supervisors reported that the work was meaningful. These evaluations were of small programs, which in many ways were different from the programs we reviewed. The Manpower Demonstration Research Corporation (MDRC) evaluated nine welfare-to-work programs that included work experience as a major or ancillary activity. Generally, in these early programs, welfare recipients were assigned to work sites for 13 weeks and received only a benefit check. In West Virginia, however, a CWEP placement lasted for as long as a recipient received a welfare check, and weekly hours of participation were limited to the amount of a recipient's cash benefit divided by the minimum wage. The evaluators concluded that the value of the work performed by participants generally outweighed the costs of running the programs. Given the small scale of these programs, however, it remains unclear whether these findings would hold up for much larger programs or for programs in which the work-site activity lasts longer than 13 weeks.

The West Virginia CWEP program evaluated by MDRC was a statewide initiative that continues today as a major work-site activity for West Virginia's TANF recipients. The MDRC evaluation concluded that the state had succeeded in providing a substantial number of welfare recipients with productive, long-term work experience in a labor market suffering one of the highest unemployment rates in the nation. However, the program had little effect on moving recipients into unsubsidized employment. Although today's economy in West Virginia is substantially improved, there remain pockets of very high unemployment where few jobs exist for welfare recipients. CWEP may be the only opportunity for welfare recipients in these areas who cannot relocate to meet their work participation obligation.

MDRC also evaluated a work-site activity known as supported work in the 1970s. Supported work was a highly structured, paid work experience program specifically designed for a disadvantaged subset of the welfare population. Participants volunteered to be placed at work sites in closely supervised groups and were gradually subjected to higher expectations on the job. They could remain in the program for 12 to 18 months, earning wages that were partially subsidized with welfare benefits, and were then assisted in locating unsubsidized jobs. After 3 years in the program, supported work participants were 10 percent less likely than a control group to be receiving welfare assistance and had average earnings 23 percent higher than the control group. Although elements of the supported work model are being incorporated into programs targeting TANF recipients who are the most difficult to employ, because of the ways in

which the new welfare environment is different from the old one, we cannot conclude that these programs will achieve the same effect as the supported work demonstrations.

HHS has recently taken some initial steps to identify current supported work programs with the goal of supporting research in this area. HHS' Administration for Children and Families and the Office of the Assistant Secretary for Planning and Evaluation have authority to spend funds to support such research, demonstration, and evaluation efforts. In May 2000, HHS contracted with Mathematica Policy Research, Inc., to identify supported work programs serving TANF or non-TANF individuals, including those in the area of vocational rehabilitation, that hold promise for meeting the needs of TANF recipients and are potentially large enough to serve a significant number of participants.

## Available Evidence Suggests Both Positive and Negative Effects on Participants and Communities

Program administrators, participants, and others reported that work-site activities do have a positive effect on participants and communities. Individuals with no prior work experience can develop employment skills and a resume. Massachusetts officials reported that community work experience is beneficial to some clients because it requires them to leave the house on a daily basis and become involved in a work environment. They also believe that community service instills a work ethic that some clients did not have before. Oregon's JOBS Plus participants reported a positive change in attitude, self-esteem, and pride.

Evidence from the sites that we visited suggests that the work performed at these work sites also has had a positive effect on employers and their communities. Work-site activities provide additional staff to public and private nonprofit agencies lacking resources, which allows them to better meet community needs. For example, in Chicago TANF recipients help prepare food to be delivered to elderly citizens and perform janitorial work at a low-income housing development. Further, participation in Oregon's JOBS Plus gives private sector employers an opportunity to help the community in which they operate by employing and training welfare recipients. JOBS Plus employers reported a significant shift in their perception of welfare recipients and of the challenges they face after working with them. In Massachusetts, community service participants work in schools, churches, hospitals, and municipal government. Participants do clerical, custodial, housekeeping, and food preparation work as well as assist in classrooms. Finally, in New York City, the Mayor's Management Report released in February 2000 states that the citywide

street cleanliness ratings have improved since WEP participation in street cleaning was expanded.

While we identified many positive aspects of work-site activities for both participants and communities, we also identified some negative aspects. Program administrators reported that for some clients participation can be stressful, particularly as they adjust to juggling child-care arrangements and the demands of a job, sometimes for the first time. In New York City, we spoke with representatives of a legal and advocacy group for low-income families that works with the city's WEP participants. These representatives expressed concern that the program did not do enough to assess TANF recipients' needs and skills and to match them with work sites that would provide them the job search assistance and training needed to find employment at wages that would move them toward economic independence. They were also concerned that many people in need of assistance may have left the TANF rolls or received reduced grants because they did not want to, or could not, perform the assigned work and that some of these families may move more deeply into poverty without the aid they need. WEP officials we spoke with noted that a new assessment component is planned for the program and that new components, such as the Personal Roads for Individual Development and Employment project for individuals with medical limitations, have been added to the program to better meet the needs of the TANF caseload. In addition, the New York City Council has recently voted to create a pilot transitional jobs program for welfare recipients. Modeled after work-site activities such as the Paid Work Experience in Philadelphia, upon implementation, the New York pilot will provide recipients with transitional jobs and some job training.

A long-standing concern about public work programs that put welfare recipients into work-site positions is that these individuals may take jobs away from regular employees or others seeking work. Consequently, PRWORA, state TANF plans, and work-site contracts contain language designed to protect against displacement. The locations we visited took different approaches to addressing the concern that welfare recipients might displace other employees. For example, in Philadelphia the Mayor's office negotiated with the unions when the public sector transitional jobs were first created. The agreements with the unions stipulate that the work-site positions are to be short-term and cannot replace other jobs. In Chicago, an accounting of what welfare recipients are doing at the work sites is sent regularly to the unions to allay any concerns they may have about displacement.

The only site where displacement appears to be an unresolved issue is New York City. A confederation of 56 New York City public employee unions has filed several lawsuits against the mayor and New York City agencies, including the Human Resources Administration; the Administration for Children's Services; and the Departments of Sanitation, Transportation, and Parks and Recreation. The basis for the lawsuits is the unions' claim that paid city employees are being replaced with WEP participants or are being denied promotional opportunities. There is also concern that the increasing use of work-site participants to perform work equivalent to that typically performed by entry-level personnel in city agencies prevents individuals from obtaining city agency employment. A union representative we spoke with said that entry-level jobs in the city's public agencies have historically served an important role in helping low-income individuals find stable employment and move up over time into the middle class. There is no expectation under WEP, however, that city agencies will hire program participants. The union believes that the disappearance of permanent entry-level jobs in city agencies and the lack of entry-level jobs in the private sector will inhibit individuals with lower skills and abilities from becoming employed. The issue of whether displacement of regular workers is occurring is currently being litigated in the courts.

## Conclusions

Passage of the welfare reform law changed the federal role in providing assistance to needy families with children. States and localities have been given broader flexibility to design and implement their welfare programs, and coupled with this flexibility is a stronger emphasis on work, with work requirements for most adults receiving cash assistance, limits on the length of stay on federal cash assistance, and financial penalties for states that do not have an increasing percentage of their adult caseload working or in work-related activities over time. As a result, states and localities are requiring more clients to find jobs or participate in work-related activities to prepare for jobs. For the type of work-related activities we focused on—work-site activities, rather than job search or classroom activities—the characteristics of activity design and structure were strongly influenced by elected officials, economic environments, and the support the work-site activities received from their communities. Because work-site activities must necessarily involve employers or community organizations—public, nonprofit, or private—these activities cannot succeed without the support of these entities.

The work-site activities we reviewed are, like welfare reform, a work in progress. Given the flexibility of TANF, states and localities are providing

enhanced support services and are changing and tailoring their programs to meet clients' needs. New York City's new work-site activity designed for TANF adults with medical limitations who had typically been exempted from work requirements in previous programs and San Francisco's pilot Community Jobs Initiative, which creates temporary jobs for TANF recipients who have not yet found unsubsidized employment, both represent local responses to welfare reform's emphasis on the importance of work for all of those receiving aid. It is likely that changes such as these will continue as states and localities strive to be successful in implementing welfare reform.

To date, states and localities have implemented their welfare reform programs in a strong national economy, which has no doubt facilitated their reform efforts, as reflected in the fact that in fiscal year 1998, the highest percentage of participating TANF recipients were engaged in unsubsidized employment. States have also been aided in meeting federal participation rates by receiving credits for the recent caseload reductions. In the event of an economic downturn when jobs may be less readily available, more states and localities may turn to work-site activities as an alternative for meeting their work requirements. Yet, nationwide, most of the work-site activities are currently being operated on a relatively small scale. If states and localities need to expand work-site activities to serve increasing numbers of participants, they will need to find increasing numbers of employers and organizations willing to participate. In addition, states and localities will need to ensure that participants and work-site activities are monitored to determine if they meet the desired program outcomes. Moreover, the greater the scale of work-site activities, the greater the challenge to ensure that participants in work-site activities do not displace regular employees from their jobs.

The work-site activities currently in operation can provide valuable information for administrators and policymakers on what could in the future become an increasingly important part of TANF programs nationwide, and HHS could play a role in making such information available. While HHS requires states to report the number of participants in work-site activities, it does not require states to describe key characteristics of these activities. By providing some additional guidance to states on how to describe their work-site activities in their state TANF plans, HHS has the opportunity to gather useful information without compromising state flexibility. In addition, HHS could take steps, through its regional offices and at HHS-sponsored conferences, for example, to identify and disseminate information on promising approaches to

implementing and operating work-site activities in TANF programs. Finally, as our work has shown, little is known about how effective these approaches are in the current welfare environment in moving TANF recipients toward employment and economic independence. With the broad flexibility granted to them under TANF, states and localities are implementing alternative approaches, including work-site activities, to achieve the goals of welfare reform, which provides an opportunity to compare the effectiveness of various approaches. HHS' new project designed to collect information on supported work programs that could potentially provide models for serving TANF recipients is a positive move toward understanding how to use work-site activities to serve TANF recipients effectively. HHS could continue in this and other efforts to encourage states and localities to evaluate rigorously some of the work-site approaches used in TANF by providing financial support for such evaluations. If information on these work-site approaches is not collected and rigorous evaluations are not conducted, the opportunity to learn implementation lessons and to measure the value of work-site activities in moving clients to unsubsidized employment for the future will be lost.

## Recommendations to the Secretary of Health and Human Services

To make available more information on the effectiveness of work-site activities, which could play an increasingly important role as welfare reform evolves, we recommend that the Secretary of Health and Human Services do the following:

- Require states to provide more information in the state TANF plans or annual reports that they must file with HHS on the key characteristics of work-site activities they are using. For example, states could include in their plans such information as whether a work-site activity participant receives a welfare check or paycheck, qualifies for the EIC, can earn more than his or her grant amount, and is considered to be receiving TANF assistance that counts toward the federal time limit.
- Use HHS' regional offices' technical assistance activities, HHS-sponsored conferences, and other means available to identify promising work-site approaches used by the states and localities in their TANF programs, and collect and disseminate information on them.
- Encourage states and localities to rigorously evaluate their work-site activities, particularly by providing financial support for evaluations to increase knowledge of the effectiveness of various types of work-site activities.

## Agency Comments and Our Evaluation

We provided HHS and the states and localities we reviewed with an opportunity to comment on the report. HHS generally agreed with our findings and recommendations. The states and localities also generally agreed with the report.

With respect to the recommendation that HHS should require states to provide more information on the key characteristics of the work-site activities they are using, HHS said that it is statutorily limited in what information it may require. HHS pointed out that starting with fiscal year 2000, each state must file an annual report, which will include information on how a state defines its various work activities. HHS expects that this report will help provide information about the different work activities carried out in a state. As discussed in the report, we believe that by providing some additional guidance to states on how to describe key characteristics of their work-site activities, HHS could gather useful information without compromising state flexibility.

Regarding our recommendation on information dissemination, HHS noted that it will use several methods, such as periodic conferences on critical welfare issues and interactive work groups, to collect and disseminate promising approaches. While agreeing with our third recommendation supporting evaluations, HHS cautioned that there is limited potential for conducting rigorous evaluations to determine the effects of work-site interventions on moving TANF recipients to unsubsidized employment. It noted that differences in the characteristics of populations served by existing work-site activities would make it difficult to compare the relative effectiveness of different approaches. Moreover, it noted that the small scale of these types of programs would make it difficult to generate adequate-sized research samples for random assignment to experimental and control groups. However, as we note in our report, HHS has already taken initial steps to identify current employment-focused programs using the supported work model with the goal of supporting research in this area. We encourage HHS to identify opportunities in which rigorous evaluations may be feasible, and, as discussed in the report, we believe that studies of program implementation and outcomes can also be useful to program administrators and policymakers.

HHS' comments appear in appendix I. HHS and the states and localities we visited also provided technical comments, which we have incorporated where appropriate.

We are sending copies of this report to the Honorable William V. Roth, Jr., Chairman, Senate Committee on Finance; the Honorable Don Nickles, Chairman, Subcommittee on Social Security and Family Policy, Senate Committee on Finance; the Honorable Nancy L. Johnson, Chairman, and the Honorable Benjamin L. Cardin, Ranking Minority Member, Subcommittee on Human Resources, House Committee on Ways and Means; the Honorable Donna E. Shalala, Secretary of Health and Human Services; the Honorable Alexis M. Herman, Secretary of Labor; appropriate congressional committees; and other interested parties. We will also make copies available upon request.

If you have any questions about this report, please contact me on (202) 512-7215. Other GAO contacts and staff acknowledgments are listed in appendix II.

Cynthia M. Fagnoni
Director, Education, Workforce,
and Income Security Issues

# Comments From the Department of Health and Human Services

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUL - 6 2000

Ms. Cynthia M. Fagnoni
Director, Education, Workforce,
and Income Security Issues
United States General
Accounting Office
Washington, D.C. 20548

Dear Ms. Fagnoni:

Enclosed are the Department's comments on your draft report, "Welfare Reform: Work-Site Based Activities Can Play An Important Role In TANF Programs." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department also provided some technical comments directly to your staff.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,

for June Gibbs Brown
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. The OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

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COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE U.S. GENERAL ACCOUNTING OFFICE'S DRAFT REPORT, *WELFARE REFORM: WORK-SITE BASED ACTIVITIES CAN PLAY AN IMPORTANT ROLE IN TANF PROGRAMS* (GAO/HEHS-00-122)

The Department agrees with the recommendation that we support evaluations to increase knowledge about the effectiveness of various types of work-site activities. New research illustrates that a firm commitment to augmenting programs that strongly encourage parents to work with well-implemented approaches to making work pay can succeed in producing a broad range of improved outcomes for families with children. As noted in the General Accounting Office's report, we have already taken initial steps to identify current employment-focused programs using the supported work model with the goal of supporting research in this area. But, readers should be cautioned that there is limited potential for conducting rigorous evaluations to determine the impacts of work-site interventions. Various work-site initiatives currently being implemented differ in terms of the characteristics of the target populations they serve, limiting comparative assessments of their effectiveness. Further, these types of programs are generally small in scale (that is, the number of clients served). In order to conduct a rigorous impact evaluation (for example, using random assignment to experimental and control groups) a site must, among other considerations, have the capacity to serve a large enough case load to generate an adequate sized research sample.

With respect to the recommendation that the Department require States to provide more information on the key characteristics of work-site activities they are using, readers need to understand that the Department is statutorily limited in what information we may require of States. However, we would like to point out that starting with Fiscal Year 2000, each State must file an annual report which will contain a variety of information, including how a State defines the various work activities for its Temporary Assistance for Needy Families program. We also require a description of work activities for any separate State program that requires one. We hope this information will help us to learn something about the different work activities carried out in a State.

In addition, there are several different ways in which we can get the message out regarding promising work-site approaches. The Department's Office of Family Assistance, in collaboration with our regional offices and other key partners in other agencies, sponsors periodic conferences on critical welfare reform issues. The Office of Family Assistance also provides technical assistance in the form of interactive work groups, peer-to-peer site visits, and moderated teleconferences to facilitate the sharing of information between and among States about "what works." We can use one or more of these forums to encourage States to share information on promising work-site approaches.

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# GAO Contacts and Staff Acknowledgments

## GAO Contacts

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## Staff Acknowledgments

In addition to those named above, Margaret Boeckmann, Regina Santucci, and Andrea Romich Sykes made key contributions to this report.

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